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SERVICE DATE – MAY 14, 2003

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FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34339]

Huron & Eastern Railway Company, Inc.–Corporate Family Merger Exemption–Saginaw Valley Railway Company, Inc.

Huron & Eastern Railway Company, Inc. (HESR)¹ and the Saginaw Valley Railway Company, Inc. (SGVY),² both of which are subsidiaries of RailAmerica, Inc., have filed a verified notice of exemption with respect to a proposed corporate restructuring, through which SGVY will merge into HESR, with HESR as the surviving entity. Under the agreement and plan of merger, HESR will own all of the assets of SGVY and will be responsible for all debts, liabilities, and obligations of SGVY.

The transaction was scheduled to be consummated on or after April 21, 2003, the effective date of the exemption (7 days after the exemption was filed).

The purpose of the transaction is to reduce corporate overhead and duplication and save state taxes.

¹ HESR, a Class III rail carrier, owns and operates approximately 171 miles of railroad in the State of Michigan.

² SGVY, a Class III rail carrier, owns and operates approximately 56.72 miles of railroad in the State of Michigan.

This is a transaction within a corporate family of the type specifically exempted from prior review and approval under 49 CFR 1180.2(d)(3). The parties state that the transaction will not result in adverse changes in service levels, significant operational changes, or a change in the competitive balance with carriers outside the corporate family.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Because this transaction involves Class III rail carriers only, the Board, under that statute, may not impose labor protective conditions for this transaction.

If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34339 must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Louis E. Gitomer, Of Counsel, BALL JANIK LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005.

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Decided: May 8, 2003

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary